

HUGHES HUBBARD & REED LLP  
One Battery Park Plaza  
New York, New York 10004  
Telephone: (212) 837-6000  
Facsimile: (212) 422-4726

Attorneys for James W. Giddens,  
Trustee for the SIPA Liquidation of  
Lehman Brothers Inc.

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

In re

LEHMAN BROTHERS INC.,

Debtor.

Case No. 08-01420 (SCC) SIPA

**LEHMAN BROTHERS INC. LIQUIDATION BALANCE SHEET  
AS OF SEPTEMBER 30, 2015**

**All information in the Liquidation Balance Sheet is based on information available to the Trustee at this time, but this information may be incomplete and should not be relied upon. The Liquidation Balance Sheet is not meant to be relied upon by investors or others as a complete description of the LBI estate, its condition (financial or otherwise), prospects, assets, or liabilities. The information in the Liquidation Balance Sheet will be updated, including corrections, if any, in future reports to the Court. The information in the Liquidation Balance Sheet is not prepared in accordance with U.S. generally accepted accounting principles. The realized value of certain assets may be zero or different from the estimates on which the Liquidation Balance Sheet are based. Selected balances and information contained herein have not and will not be subject to audit or review by external accountants. The Trustee reserves all rights to revise the Liquidation Balance Sheet.**

**Lehman Brothers Inc., in Liquidation**  
**Liquidation Balance Sheet as of September 30, 2015**  
**(Unaudited – Must Be Read with Accompanying Notes)**

In Millions	Fund of Customer Property	General Estate	Total
<b>Assets</b>			
Cash and Cash Equivalents			\$1,622
Securities			\$2
Total			<u>\$1,624</u>
Unallocated Amounts:			
Post-Filing Dividends & Interest			<u>(\$4)</u>
Allocated Assets:			
Cash and Cash Equivalents	\$229	\$1,389	\$1,618
Securities	\$2	\$0	\$2
Total Assets	<u>\$231</u>	<u>\$1,389</u>	<u>\$1,620</u>

**Liabilities**

Customer Claims:			
Allowed Pending Distributions	\$2		\$2
Disputed Claims:			
Repurchase Agreements	\$109		\$109
Miscellaneous Non-Affiliate Claims	\$63		\$63
Contingencies	Unknown		Unknown
General Creditor Claims:			
Secured		\$264	\$264
Priority		\$19	\$19
Administrative		\$7	\$7
Unsecured		\$15,868	\$15,868
Administrative Expense Reserve		\$441	\$441
Total Liabilities	<u>\$174</u>	<u>\$16,599</u>	<u>\$16,773</u>

\*Net of amounts distributed. For example, the \$15.868 billion of unsecured liabilities is net of the \$7.678 billion distributed to general unsecured claimants as of September 30, 2015. The total (gross) general unsecured liabilities was \$23.539 billion as of September 30, 2015 (see note 14).

## **General Notes**

### ***Note 1 – Basis of Presentation***

The Trustee and his professionals have prepared this Lehman Brothers Inc. (“LBI”) Liquidation Balance Sheet based on the information available to the Trustee at this time; however, such information may be incomplete and may be materially deficient. The Liquidation Balance Sheet is not meant to be relied upon as a complete description of LBI, its business, condition (financial or otherwise), results of operations, prospects, assets, or liabilities. The Trustee reserves all rights to revise the Liquidation Balance Sheet.

This Liquidation Balance Sheet should be read in conjunction with the currently filed Trustee’s Thirteenth Interim Report For the Period May 1, 2015 Through October 30, 2015 And Quarterly Report On The General Creditor Claims Process (the “Thirteenth Interim Report”), as well as previous Interim Reports and Quarterly Reports as filed with the Bankruptcy Court and included on the Trustee’s website, [www.lehmantrustee.com](http://www.lehmantrustee.com). The Liquidation Balance Sheet is not prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) and the numbers are unaudited. The Liquidation Balance Sheet does not reflect normal period-end adjustments, including accruals that were generally recorded by LBI prior to the filing of the Securities Investor Protection Act (“SIPA”) proceeding in Bankruptcy Court. The Liquidation Balance Sheet does not include explanatory footnotes and other disclosures required under GAAP and is not presented in a GAAP-based SEC reporting format. Certain items presented in the Liquidation Balance Sheet remain under continuing review by the Trustee and may be accounted for differently in a future liquidation balance sheet. Accordingly, the financial information herein is subject to change, and any such change may be material.

The Liquidation Balance Sheet is not audited and will not be subject to audit or review by external auditors at any time in the future. The Liquidation Balance Sheet is prepared on a cash basis and therefore does not reflect accruals or other amounts that would be found prepared under an accrual basis format.

### ***Note 2 – Use of Estimates***

The value of the securities is based on a reasonable approximation of the current market value of the securities held by the Trustee. As with all other financial information in the Liquidation Balance Sheet, the value of securities is only an estimate, is unaudited, is subject to revision, and should not be relied upon. Market values of securities are based on information obtained from nationally-recognized pricing services and where a current market value is unavailable, the security is valued at zero.

### ***Note 3 – Cash and Cash Equivalents***

Cash and cash equivalents include demand deposits and interest-bearing deposits with banks.

***Note 4 – Financial Systems and Control Environment***

The Trustee has professionals who monitor and maintain the financial systems and control environment of the estate. Procedures, controls, and resources used to create the Liquidation Balance Sheet were modified, including a drastic reduction in resources in comparison to what was available to LBI prior to the SIPA proceeding. The Trustee's professionals rely on established controls for the payment and journaling of all expenses, which include recording payment instructions and supporting documentation, reviewing time-entry diaries, and assessing the reasonableness of rates and bills for services performed. The Trustee and his professionals are continuously reviewing the estate's accounts, and as a result, modifications, errors, and potential misstatements might be identified. Consequently, the Trustee and his professionals may record adjustments, which may be material, in a future liquidation balance sheet.

**Notes Regarding Assets**

***Note 5 – Asset Allocation***

All assets on the Liquidation Balance Sheet are currently under the Trustee's control. Future recoveries and release of reserves will accrete to the general estate. Differences from the Trustee's prior liquidation balance sheets or reports may be attributable to a number of factors, including payments to general unsecured creditors of \$7.678 billion, the allocation of \$2.883 billion of excess customer property to the general estate (including \$6 million allocated between July 1, 2015 and September 30, 2015), proceeds from the sale of general estate securities, and disbursements.

***Note 6 – Reserves***

“Total Assets” do not include a separate cash reserve of \$4 million for post-petition dividends and interest.

***Note 7 – Customer Securities***

Securities allocated to the fund of customer property are expected to be returned to customers in-kind through the customer claim distribution process.

***Note 8 – Fund of Customer Property***

As of September 30, 2015, the Trustee has allocated \$2.883 billion of excess customer property to the general estate. The Trustee, in consultation with the Securities Investor Protection Corporation (“SIPC”) and regulators, will continue to assess customer claim reserves and contingencies to determine the extent to which it is possible to allocate excess customer property to the general estate. At this point in the liquidation, any further allocation appears subject to resolution of pending litigations, which may take time to resolve.

***Note 9 – General Estate Assets***

Total general estate assets of \$1.389 billion are subject to the following reserves:

- (i) an administrative reserve in the amount of \$441 million;
- (ii) a First Interim Distribution Fund in the amount of \$283 million (includes \$57 million remaining to be distributed to holders of allowed general unsecured claims who have not yet provided required distribution information);
- (iii) a Second Interim Distribution Fund in the amount of \$166 million (includes \$33 million remaining to be distributed to holders of allowed general unsecured claims who have not yet provided required distribution information);
- (iv) a Third Interim Distribution Fund in the amount of \$130 million (includes \$24 million remaining to be distributed to holders of allowed general unsecured claims who have not yet provided required distribution information);
- (v) a Secured, Administrative, and Priority Reserve in the amount of \$279 million; and
- (vi) a tax-related reserve of \$18 million.

The Trustee will continue to assess reserves in contemplation of potential future distributions, though distributions will likely require resolution of pending litigations which may take time to resolve.

***Note 10 – Securities Liquidation***

The Trustee has concluded efforts to liquidate the remaining general estate and excess customer securities. See Thirteenth Interim Report paragraph 47.

**Notes Regarding Liabilities**

***Note 11 – Allowed Customer Claims Pending Distribution***

Certain allowed customer claims have not yet been distributed because, among other reasons, the claimant has not yet provided necessary documentation to the Trustee.

***Note 12 – Disputed Customer Claim Reserves***

Disputed claims are subject to ongoing litigation, which may take time to resolve.

***Note 13 – Customer Claim Contingencies***

Certain contingencies related to customer claims cannot be estimated at this time. Namely, customer distributions involve final reconciliations and accounting roll forwards up to the date of distribution to claimants. The distribution process is therefore subject to market fluctuation and corporate actions, as well as valuation and other reconciliation adjustments. Moreover, disputed claims are subject to ongoing litigation and the Trustee must additionally reserve for these contingencies, some of which are unliquidated. Accordingly, the amounts ultimately needed for customer claim distributions may be materially higher, and this Liquidation Balance Sheet should not be relied upon to calculate potential customer excess or for any other purpose.

***Note 14 – General Creditor Claims***

General creditor claims liabilities are net of amounts distributed on allowed claims as of September 30, 2015, and thus differ from the claims exposure listed in the Quarterly Report General Creditor Claims Exposure Chart (Thirteenth Interim Report, Ex. 1), which does not account for distributions made on allowed claims.

Total unsecured liabilities in the amount of \$15.868 billion are net of the \$7.678 billion distributed to general unsecured claimants as of September 30, 2015, and consist of: (i) \$14.471 billion of allowed unsecured claims (*i.e.*, the remaining 65 percent on all allowed unsecured claims); (ii) \$1.275 billion of claims subject to objections and settlements pending before the Court; (iii) \$57 million yet to be distributed as part of the First Interim Distribution of 17 percent; (iv) \$33 million yet to be distributed as part of the Second Interim Distribution of 10 percent; (v) \$24 million yet to be distributed as part of the Third Interim Distribution of 8 percent; and (vi) a \$7 million tax reserve.

Disputed customer claims with unresolved objections may become part of the general creditor claims population and associated reserves part of the general estate upon final disposition of the claims; they are not included in these figures.

***Note 15 – Bankruptcy Code Section 502(a) Claims***

Includes 1,601 claims for which the Trustee has completed his analysis and has determined are not objectionable and should be deemed allowed pursuant to Bankruptcy Code section 502(a). The approximate aggregate amount of these claims is \$291 million. These claims were reflected as accepted as indicated in the Capping and Reserve Orders and the Supplemental Distribution Schedules filed with the Court (ECF Nos. 9647, 10090, 10386, 10882, 11258, 11436, 11748, 11982, 12218, 12450, 12581, and 12778), and have been reflected as allowed on the claims register.

***Note 16 – Subordinated Claims/Equity***

Amounts do not include \$14.447 billion of allowed subordinated claims under the settlement agreement with Lehman Brothers Holdings Inc. and other claims that have been subordinated or reclassified to equity. The Trustee does not anticipate making any distributions on account of subordinated claims or equity.